



INTRODUCTION TO CROWDFUNDING

AKA: Online Fundraising

DEFINED

Crowd funding or **crowdfunding** (alternately **crowd financing**, **equity crowdfunding**, or **hyper funding**) describes the collective effort of individuals who network and pool their money, usually via the Internet to support efforts initiated by other people or organizations. Crowdfunding is used in support of a wide variety of activities, including disaster relief, citizen journalism, support of artists by fans, political campaigns, startup company funding, motion picture promotion, free software development, inventions development, scientific research, and civic projects.

Crowdfunding can also refer to the funding of a company by selling small amounts of equity to many investors. This form of crowdfunding has recently received attention from policymakers in the United States with direct mention in the JOBS Act; legislation that allows for a wider pool of small investors with fewer restrictions.

Crowdfunding has its origins in the concept of crowdsourcing, which is the broader concept of an individual reaching a goal by receiving and leveraging small contributions from many parties.

Crowdfunding is the application of this concept to the collection of funds through small contributions from many parties in order to finance a particular project or venture.

PLATFORMS

There are over 450 crowdfunding platforms. The most popular are:

- Kickstarter.com (Fund and Follow Creativity) (Arts and project focus)
- StartSomeGood.com (social good projects that are not yet 501c3 ready)(cause based)
- Indiegogo.com (keep what you raise – higher fees)(anything)
- Causes.com (501c3 specific for launching action campaigns)(charity)
- Razoo.com (claims to have helped 14,000 causes raise over 100 Million. Social causes, no c3 requirement, flat 2.9% fee)
- GoFundMe.com (Tell Your Story – Attract Support) (Personal, business, charity) (collection of donations and all-or-nothing options)
- iCrowd.com (Community of investors who want to help small business succeed)(business)
- StartUps.com (Crowdfunding for business)

FUNDRAISING MODELS

Two typical models. Some sites only offer either or, some offer both

1. Raise whatever you can, pay a fee to the .com
 - a. Fees – range from 2.5-5% collected in the pass-through (donor does not see fee. Funds are deposited into account minus the fee)
 - b. Paypal donations also are charged the Paypal fee – typically 2.9% and a .30 transaction fee)
 - c. FirstGiving – if you are a c3, gofundme.com also charges a 5% fee to process charitable contributions (if a donor gave \$100 through Paypal to a 501c3 with gofundme, the fees would be 12.9% plus .30. \$13.20 in fees)
2. Set a goal. Contributors pay when goal is reached. If not met, they don't pay.
 - a. Investment based
 - b. Donation based

PROCESS

1. Create account or website “create site”
ORGANIZATION: Launch your Campaign
BUSINESS: Create a Profile- Post Funding Request
2. Attract Supporters
ORGANIZATION: Share your story via social media, email lists, etc.
BUSINESS: Join an advisement team – pitch plan – Contact investors
3. Collect
ORGANIZATION: Collect online donations
BUSINESS: Find funding

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